

**City of Northampton**  
**Guide to the**  
**Massachusetts Economic Development Incentive Program**  
**(EDIP)**



For more information about the Economic Development Incentive Program in the City of Northampton contact:

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## City of Northampton Guide to the Massachusetts Economic Development Incentive Program

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### **Program Summary**

The Massachusetts Economic Development Incentive Program (EDIP) was established in 1993 to stimulate job creation and economic development in targeted areas where the need for development is most critical. The City of Northampton has joined the Franklin Regional Economic Target Area with the intent of using state and local tax incentives to stimulate job creation, attract new businesses, retain and expand existing businesses, and encourage business investment in the City.

The EDIP consists of a three-step process:

**Economic Target Area (ETA)** - Three or more contiguous census tracts in one or more municipalities that overall meet certain criteria for economic need including unemployment rate, household income, poverty rate, plant closings/layoffs, and commercial vacancy rate. An ETA is designated by the Commonwealth of Massachusetts Economic Assistance Coordinating Council (EACC) through the Office of Business Development. The EACC is a public-private body comprised of eleven members. The EACC is co-chaired by the Director of Economic Development and the Director of Housing and Community Development. The EACC is responsible for designating Economic Target Areas (ETAs), Economic Opportunity Areas (EOAs) and Certified Projects.

**Economic Opportunity Area (EOA)** – An area designated by a municipality within an ETA of particular need and priority for economic development. The area must meet the State definition for an area that is blighted, decadent, or substandard. An area is eligible for EOA designation for a minimum of five years to a maximum of 20 years. The City of Northampton has designated four EOA's. Additional EOA's may be designated pending approval by the Massachusetts Economic Assistance Coordinating Council.

<b>EOA</b>	<b>DATE DESIGNATED</b>
Northampton Industrial Park	April 2002
Village at Hospital Hill	April 2002
Spring and Pine Street (Florence)	September 2002
TechAlloy (Federal St., Bay State)	September 2002

**Certified Project** – A business located within an EOA that is expanding its existing operations, relocating its operations, or building new facilities resulting in the creation of permanent new full-time jobs. New jobs created must not replace or relocate permanent full time jobs from another facility located in Massachusetts. Businesses must meet state and local criteria to obtain certified project status. Certified projects must be approved by the City and the EACC. Certified projects are eligible to take advantage of both state and local tax incentives.

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### **State Tax Incentives Available to Certified Projects**

**5% State Investment Tax Credit** – A 5% investment tax credit on State income taxes towards all tangible depreciable investments associated with the project. This increases the state investment tax credit for manufacturers from 3% to 5%. Certified projects that are not manufacturers may take advantage of the tax credit.

**10% Abandoned Building Tax Deduction** – Allows for a 10% State income tax deduction for all costs associated with renovating an abandoned building for commercial use. An abandoned building is defined as at least 75% vacant for the previous two years.

### **Municipal Tax Incentives**

**Special Tax Assessment** – A four-year declining tax exemption equal to 100% of the full and fair cash value of a parcel in the first year, 75% in the second year, 50% in the third year, and 25% in the fourth and final year. In the fifth year, the property is taxed at the full assessed value.

**Tax Increment Financing (TIF) Exemption** – A percentage exemption on the increased value of a parcel resulting from an expansion or improvement. Exemptions can be from 0% to 100% of the increased value for a period of between 5 and 20 years. The base value before improvements is taxed at the full assessed value. TIF agreements are negotiated between the City and the Certified Project candidate. Personal property taxes situated at a parcel receiving a TIF are exempt for the life of the TIF agreement. All manufacturers are exempt from personal property taxes by State law regardless of TIF status. Other TIF recipients are exempt from property taxes for the life of the TIF.

### **Real Estate Development Projects**

The development of a real estate project by a business that will subsequently lease or otherwise transfer portions of the real estate to other businesses may be eligible for Certified Project status under the following circumstances.

1. Businesses that own, lease or will acquire space at the project must meet the eligibility requirements for certified projects.
2. The tax benefits resulting from certified project status must be passed on to and allocated among the businesses intending to own or lease space at the project.
3. The project must meet all other state and local criteria for certified project status.
4. Landowners of real estate projects are not eligible for the state investment tax credit. Businesses leasing or owning space in the project may be eligible for the investment tax credit for qualified investment in depreciable assets.

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### **Certified Project Application Procedure**

The Mayor and the City Council Industrial Affairs Committee will review and negotiate project proposals on behalf of the City and make a recommendation to the City Council. The City Council will approve all TIF Plans and Certified Projects in accordance with the City's criteria for granting certified project status.

- Step 1: Applicant meets with the Mayor's Economic Development Coordinator to discuss the proposed project, determine eligibility, and explain the program.
- Step 2: Applicant submits a letter of interest to the Economic Development Coordinator requesting consideration for certified project status. This letter designates a commencement date for the certified project application process. The letter should briefly describe the proposed project and why the EDIP program is needed to complete the project.
- Step 3: Applicant and Mayor's office negotiate a Tax Agreement with input from Finance Director, Board of Assessors, Department of Public Works, Planning Department, and other appropriate departments.
- Step 4: Industrial Affairs Committee reviews and makes a recommendation on the application.
- Step 5: Applicant submits Certified Project Application. After a preliminary agreement has been reached, the applicant prepares and submits the Massachusetts Certified Project Application with the assistance of the Economic Development Coordinator and staff from the Massachusetts Office of Business Development. This application will specify the investment to be made and the amount and type of jobs to be created. A copy of the Certified Project Application can be obtained from the Economic Development Coordinator in the Mayor's Office.
- Step 6: The Mayor's Office prepares the final Tax Agreement and, when appropriate, a TIF Plan. City Council approves the Tax Agreement/TIF Plan and authorizes the Mayor to execute and implement.
- Step 7: The Certified Project Application, TIF Plan, and Tax Agreement are submitted to the Massachusetts Economic Assistance Coordinating Council for review and approval.
- Step 8: The EACC has 90 days to make a decision on an application. However, the EACC meets monthly and makes every effort to expedite the certification process.

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**City of Northampton, MA  
Economic Development Incentive Program  
Local Tax Incentive Criteria  
REVISED AUGUST 15, 2005**

The City seeks to achieve the following economic development goals with a local tax incentive program. The benefit of granting a local tax incentive will be measured by how well a project meets these goals:

1. Meaningful creation or retention of permanent full-time jobs and new job opportunities for local or regional residents. It is expected that these jobs will be secure positions with desirable wages and benefits. Jobs qualifying under this program must not be a replacement or relocation of permanent full-time employees employed by the business at any other facility in the State.
2. Promotion of manufacturing, technology, R&D, corporate office, or other industrial/commercial sector important to the City. Retail and warehouse/distribution will generally not receive a high rating under this program. However, the City acknowledges that independent retailers contribute to the vitality of the Northampton marketplace and to the destination appeal of Northampton resulting in secondary economic benefits to other business sectors in the City and to the community in general. It is further acknowledged that market pressures and escalating real estate costs in Northampton are a significant impediment to the growth of locally owned businesses. Therefore, the City will consider tax incentives for retail uses that meet the following criteria:
  - a. The retail establishment is locally or regionally owned (not including locally owned national franchises) or at least one third of the building square footage is reserved for locally or regionally owned businesses.
  - b. The project will result in an expansion of full-time equivalent jobs by at least 15 percent.
  - c. There must be a significant capital investment in the project resulting in new growth tax value to the City.
  - d. Off-site mitigation or public improvements provided by the project add significant cost to the total project investment.
3. Overall economic and/or public benefit to the City, surrounding neighborhood, or the region
4. A net increase in tax revenue to the City
5. Local investment and circulation of dollars in the local/regional economy
6. Potential catalysts for future economic development

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7. Community benefits such as job training or public infrastructure improvements
8. Stability and diversity of the Northampton economic and employment base
9. The use of local contractors for construction and repair
10. Overcome impediments which make projects difficult or unfeasible to complete without public investment such as hazardous waste cleanup, infrastructure improvements, or other circumstances which contribute to project feasibility
11. Address specific needs of the project as well as the long-term trends in the industry, economy, and business
12. Support projects that have a workable plan and are likely to succeed.

Revised criteria approved by the Economic Development, Housing and Land Use Committee of the City Council on August 15, 2005.